



THE UNIVERSITY *of* EDINBURGH

Edinburgh Research Explorer

What Are the UK's Alternatives to EU Membership?

Citation for published version:

Keating, M, *What Are the UK's Alternatives to EU Membership?*, 2016, Web publication/site, European Futures, Edinburgh. <<http://www.europeanfutures.ed.ac.uk/article-3391>>

Link:

[Link to publication record in Edinburgh Research Explorer](#)

Document Version:

Publisher's PDF, also known as Version of record

Publisher Rights Statement:

© 2016 Michael Keating. Published under Creative Commons (CC BY-NC-ND 4.0 International) License

General rights

Copyright for the publications made accessible via the Edinburgh Research Explorer is retained by the author(s) and / or other copyright owners and it is a condition of accessing these publications that users recognise and abide by the legal requirements associated with these rights.

Take down policy

The University of Edinburgh has made every reasonable effort to ensure that Edinburgh Research Explorer content complies with UK legislation. If you believe that the public display of this file breaches copyright please contact openaccess@ed.ac.uk providing details, and we will remove access to the work immediately and investigate your claim.



What Are the UK's Alternatives to EU Membership?

Author(s): Michael Keating

Permalink: <http://www.europeanfutures.ed.ac.uk/article-3391>

Publication: 2 June 2016

Article text:

*In the event of exit from the European Union, the UK would be faced with different options for its relationship with the EU, **Michael Keating**. He argues that the choice of which option would ultimately come down to decisions about what the UK wants and negotiations with the EU, and that no option would completely free the UK from outside influence, due to the interdependent nature of the global economy.*

A UK withdrawal from the European Union would not automatically put the clock back to 1973, when the UK joined the EU, because the world has changed since then.

International trade is subject to regulation under the World Trade Organisation (WTO) and regional trading blocs. It would therefore be necessary to decide on the country's participation in the global trading order. There are several alternatives to UK membership of the EU, but choosing among them would depend on what one dislikes about the EU and what the reasons for leaving are.

The EU is a free trade area, with no tariffs on goods. Yet it is also more than this. It is a single market, in which there is free movement of goods, but also of services, capital and labour. Product standards are harmonised or subject to mutual recognition, under which if a product is recognised in one state it can be marketed in all the others.

Public procurement tenders must be open to firms in all Member States. There is a common external tariff and the EU negotiates international trade agreements on behalf of all its members. The EU's competences have also been expanded into other areas such as environmental and labour market policy, which build on and support the single market – these are called 'flanking policies'. Competition policy, enforced by the European Commission and the European Court of Justice, sustains market order.

The EU has also extended its competences into security cooperation, justice and home affairs, research and territorial cohesion. There are programmes for cooperation in social policy matters, providing a 'social dimension' alongside the market vision of Europe. Some countries have adopted the euro, which entails the loss of control over monetary and exchange rate policy. All members except the UK and Ireland are committed to the Schengen Area of passport-free travel.

Finally, the EU is a political union, with common institutions, whose laws are binding within Member States, thus constraining national sovereignty. Members

have to accept the *acquis communautaire*, the existing body of law and policies, although the UK has secured some opt-outs from new policies.

Opponents of membership object to different aspects. Some are concerned with restoring full sovereignty to the UK. In the modern world, *formal* sovereignty may not be the same as *effective* sovereignty, meaning the ability effectively to run our own affairs unconstrained.

Some are concerned with the economic issues, arguing that the EU is a declining bloc and that the UK is paying too much for it. Others want to do away with European regulations on business or in social matters like employment and labour market regulation. Others again want to limit immigration and the free movement of labour.

Alternatives to EU membership can be seen under two headings. The first is to 'go it alone', with no privileged partnership with the EU. The second seeks a special arrangement to retain the European single market while eliminating the other aspects of the EU and restoring national sovereignty.

Go it Alone

Some advocates of go it alone argue that the WTO provides sufficient rules for world trade, preventing unfair competition or protection. This would restore sovereignty and allow the UK to control the movement of labour. There would be some tariff barriers and, although these would generally be low, they could affect vehicle exports to the EU. Non-tariff barriers would remain and there would be no mutual recognition of product standards.

There would be no free trade in services, so financial services providers might opt to set up subsidiaries in EU countries in order to remain in the single market. At present, the UK does not negotiate trade deals, within the WTO or bilaterally with other countries outside it – that is done by the EU.

As a non-member, the UK would be able to represent itself in negotiations and press its own priorities, but it could have less weight than the EU in facing up to other global economic giants. In recent years, world trade negotiations have stalled after the breakdown of the Doha Round in 2008 and the emphasis has moved towards regional trading blocs such as the North Atlantic Free Trade Agreement (NAFTA), Mercosur (in South America) and the EU itself.

A Free Trade Agreement with the EU

As a non-member, the UK could sign a free trade agreement with the EU and so retain free access to European markets. There would be no common institutions or policies and the UK would be free to make its own laws in most fields. Free trade agreements, however, do not usually include free trade in agriculture and services (a particular concern for the UK) or free movement of labour.

Non-tariff barriers to trade would remain. EU countries would have a strong incentive to sign a free trade agreement with the UK, as it is an important export market, but they would not want the UK to undermine their competitiveness.

It is likely that they would insist on the social and environmental regulations that currently exist. If the UK wanted to keep full access to the single market (which has been a priority for successive governments), it would have to make a deeper arrangement of the kind provided by the European Economic Area or the deal with Switzerland.

The EEA or Norwegian Option

The European Economic Area (EEA) is based on the European Free Trade Association (EFTA), founded by the UK in 1960 as an alternative to the European Economic Community (EEC, now the EU). Within two years, the UK itself had decided to join the EEC and was eventually followed by all EFTA states except Norway, Iceland, Switzerland and Lichtenstein.

The EEA was set up in 1994, to link Norway, Iceland, Lichtenstein and the EU (Switzerland voted against). It is a free trade area but excludes external relations, agriculture, fisheries, transport, general budget contributions, regional policy and monetary policy. It does provide for free movement of labour on the same terms as the EU.

Norway is the principal EFTA/EEA country, having twice voted against EU membership. Norway's agreement with the EEA does not allow for EU law to be directly applicable, in contrast to the situation in the EU Member States. This formal sovereignty is, however, [constrained in practice](#).

EEA countries on accession have to accept the whole body of relevant EU law, accounting for much of the *acquis communautaire*. Technically, they are not obliged to accept future EU laws but the scope for opting out is limited and they then risk exclusion from the whole relevant field. There is provision for consultation with the EEA before EU laws are adopted, there is some participation in working groups and there is an EEA Joint Committee.

Non-EU states, however have no vote on the adoption of EU laws. An EFTA Surveillance Authority polices EEA rules and the arrangement is updated annually to take account of new EU laws. There is an EFTA Court, but it tends to follow the decisions of the Court of Justice of the European Union (CJEU).

EU regulatory agencies interpret the rules and apply them across the EEA, which has caused problems and delays in EEA countries, for example in relation to financial services. It is estimated that some three quarters of EU regulations are applicable to Norway.

Norway has chosen to join the Schengen free travel area, which allowed it to keep its free travel area with the other Nordic countries. It participates in European foreign and security policy and the Dublin agreements on police and asylum, again without a say in the making of policy.

As part of its association with the EU, it contributes to programmes for social and economic cohesion across the EU but does not receive funding back in return. Norway also has a set of bilateral agreements with the EU.

The EEA option would thus restore formal sovereignty to the UK, but in practice it would have to follow EU rules without having a vote on their adoption. It is in any case not clear that the UK would be allowed to join EFTA and thereby get into the EEA. In negotiations with the EU, EFTA has to speak with a single voice and, at present, Norway is the dominant member.

The UK, however, would be many times larger than the other three together and could overwhelm them. UK membership of EFTA/ EEA could also cause problems for the EU, as the UK would be a more significant player. It could also set a precedent for other EU Member States seeking a looser relationship without all the obligation of membership. Membership of EEA would require the agreement of all EEA Member States, including the remaining 27 EU members.

The Swiss Option

Switzerland decided, by referendum, not to join the EEA, but instead has a bilateral relationship giving it access to EU markets. Altogether, 120 treaties were signed in 2000 and 2004, but further agreements have not followed because the EU sees them cumbersome and time-consuming and prefers overarching arrangements like the EEA.

The agreements include free trade in goods, but not in services or agriculture, and are less extensive than the EEA on 'flanking policies' such as social provisions and environmental, consumer and employment matters. There are no requirements for a financial contribution to cohesion, but Switzerland does make payments to the new EU Member States of Eastern and Central Europe.

The Swiss arrangement lacks the common structures of the EEA and consultation on the development of EU policies is less intense. There are joint committees, but their functions are more limited than in the case of the EEA. The agreements apply only to existing EU policies so that, unlike Norway, Switzerland is not bound to future EU decisions.

The various Swiss agreements are linked so that, if one side reneges on one agreement, the other side can suspend others. Switzerland, unlike Norway, does not have to transpose EU laws, but it does have to have its own legislation to the same effect. The easiest way to do this often is just to transpose EU law anyway. Switzerland is not formally bound by decisions of the Court of Justice of the European Union but in practice, its Joint Committee with the EU incorporates CJEU rulings.

Like Norway, Switzerland has to accept free movement of labour and to adopt policies on labour regulation such as the Working Time Directive. A referendum in 2014 narrowly decided to restrict free movement, which triggered a crisis, as the EU refused Switzerland's request to give legal effect to the referendum. The immediate

consequence was Switzerland's suspension from the EU research programme (Horizon 2020). Switzerland was later partially readmitted, but the issue remains unresolved.

Balancing the Options

It is difficult to quantify the economic loss or gain of the various options, as that could depend on the details, on future developments in world trade and on decisions that UK governments might take in the future. Concern has been expressed that any outcome that leaves the UK out of the European single market would harm trade and investment.

Some have argued that, freed from a preferential relationship with Europe, the UK could more successfully compete in global markets. Others have argued that, free of the EU, the UK could pursue a market-based strategy of competition founded on low taxes and less regulation, but that is essentially a political choice.

The Norway/ EEA and Swiss options would restore formal UK sovereignty, but leave it subject to European decisions. It would not be subject to the common agriculture or fisheries policies, but would be obliged to accept free movement of labour. The EEA would provide for free trade in services, while the Swiss option would not.

The 'Go it Alone' option would restore more of UK sovereignty, but the UK would lose access to the European single market and would have to negotiate international trade agreements on its own.

None of the options would leave the UK as a completely free actor, since it will always be subject to international trading rules of one sort or another. That is an inevitable fact about the modern, interdependent world.

This article, co-published with the [Centre on Constitutional Change](#), draws from the e-book [Britain's Decision – Facts and Impartial Analysis for the EU Referendum](#).

Author information:

Michael Keating

The University of Aberdeen

Prof Michael Keating FRSE FBA FAcSS is Professor of Scottish Politics at the University of Aberdeen; Director of the ESRC Centre on Constitutional Change; and Senior Fellow, The UK in a Changing Europe. His research areas include regions, nationalism, Scotland and public policy.

Publication license:

Creative Commons (Attribution–NonCommercial–NoDerivatives 4.0 International)

Additional information:

Please note that this article represents the view of the author(s) alone and not European Futures, the Edinburgh Europa Institute nor the University of Edinburgh.